

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 238262

73

ORIGIN TRSE-00

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 EB-07 SIG-01 SS-15

IO-13 AID-05 STR-04 COME-00 FRB-03 OMB-01 XMB-02 L-03

NSC-05 CIAE-00 INR-07 NSAE-00 OIC-02 PA-01 PRS-01

USIA-06 /106 R

TX 387

DRAFTED BY TREAS:OASIA:ADRESS:ACY

APPROVED BY EB/IFD/ODF:JABWINDER

TREAS:BZINMAN

TREAS:RDERB

ARA/ECP:RTAYLOR

----- 006337

P 251047Z SEP 76

FM SECSTATE WASHDC

TO ALL AMERICAN REPUBLIC DIPLOMATIC POSTS PRIORITY

AMEMBASSY BONN PRIORITY

AMEMBASSY LONDON PRIORITY

AMEMBASSY TOKYO PRIORITY

AMEMBASSY BERN PRIORITY

AMEMBASSY MADRID PRIORITY

AMEMBASSY VIENNA PRIORITY

AMEMBASSY THE HAGUE PRIORITY

AMEMBASSY BRUSSELS PRIORITY

AMEMBASSY COPENHAGEN PRIORITY

AMEMBASSY TEL AVIV PRIORITY

AMEMBASSY ROME PRIORITY

AMEMBASSY BELGRADE PRIORITY

AMEMBASSY PARIS PRIORITY

USCINCSO PRIORITY

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 238262

LIMITED OFFICIAL USE STATE 238262

EO. 11652:N/A

TAGS:EAID, EFIN, IDB

SUBJECT:INTER-AMERICAN DEVELOPMENT BANK ADOPTS NEW LENDING
RATE SYSTEM FOR CAPITAL LOANS

1. SUMMARY: ON SEPTEMBER 16 IDB BOARD OF EXECUTIVE DIRECTORS APPROVED ADOPTION OF NEW LENDING RATE SYSTEM FOR CAPITAL LOANS AND RAISED INTEREST RATE FROM 8 PERCENT TO 8.6 PERCENT. SIMILAR TO APPROACH RECENTLY ADOPTED BY WORLD BANK, IDB INTEREST RATE WILL COVER BANK'S COST OF BORROWING AND ADMINISTRATIVE AND LIQUIDITY COSTS. RATE WILL BE ADJUSTED AUTOMATICALLY ON SEMI-ANNUAL BASIS EVERY JULY 1 AND JANUARY 1 TO TAKE ACCOUNT OF CHANGES IN BORROWING COSTS. END SUMMARY.

2. IDB HAS CHARGED 8 PERCENT ON CAPITAL LOANS SINCE 1970, DURING WHICH TIME FINANCIAL POSITION OF BANK HAS BEEN SOUND; RETURNS FROM ORDINARY CAPITAL LOANS AND INVESTMENTS HAVE PERMITTED GROWING INCREASES IN NET INCOME AND ACCUMULATED RESERVES. HOWEVER, BOTH DEVELOPMENT LENDING PROGRAM AND CAPITAL MARKET BORROWINGS HAVE INCREASED SIGNIFICANTLY IN RECENT YEARS. DURING MAY 1976 ANNUAL MEETING IN CANCUN, MEXICO, U.S. URGED BANK TO CONSIDER ADOPTING SEMI-AUTOMATIC FORMULA FOR SETTING LENDING RATE ON CAPITAL LOANS, SIMILAR TO SYSTEM ADOPTED BY WORLD BANK ONLY A FEW WEEKS EARLIER. U.S. HAS ENCOURAGED ADOPTION BY INTERNATIONAL DEVELOPMENT LENDING INSTITUTIONS (IBRD, ADB AND IDB) OF LENDING RATE WHICH WOULD BE ADJUSTED AUTOMATICALLY TO COVER BORROWING AND ADMINISTRATION COSTS, AS THE MOST APPROPRIATE METHOD FOR ENSURING THAT BANKS WERE NOT SUBSIDIZING LENDING RATE FROM INCOME DERIVED FROM PAID-IN CAPITAL AND RESERVES. BANKS WOULD THEREBY RETAIN THE ABILITY TO ALLOCATE FUNDS TO RESERVES, AND MAINTAIN THEIR CREDIT RATINGS AND THEIR ACCESS TO CAPITAL MARKETS AT MOST FAVORABLE RATES.
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 238262

ADOPTION OF FORMULA APPROACH BY IDB WILL HAVE ADDED BENEFITS OF DISASSOCIATING SETTING OF INTEREST RATE FROM POLITICAL CONSIDERATIONS; HELP MAINTAIN BANK'S ACCESS TO CAPITAL MARKETS AT FAVORABLE INTEREST RATES; AND ENSURE SUCCESSFUL START IN BORROWING UNDER THE INTER-REGIONAL CAPITAL (IRC), THE NEW BODY OF CAPITAL SHARES CREATED IN CONNECTION WITH MEMBERSHIP OF NONREGIONAL COUNTRIES.

3. IDB MANAGEMENT UNDERTOOK REVIEW OF ADEQUACY OF 8

PERCENT RATE IN JUNE 1976, AND AS A RESULT OF ANALYSIS OF BANK'S FINANCIAL PROSPECTS, RECOMMENDED TO BOARD OF EXECUTIVE DIRECTORS IN SEPTEMBER ADOPTION OF LENDING RATE FORMULA AND INCREASE IN LENDING RATE TO 8.6 PERCENT. AFTER SEVERAL WEEKS OF DISCUSSION EXECUTIVE DIRECTORS GAVE FORMAL APPROVAL ON SEPTEMBER 16.

4. LENDING RATE FOR LOANS FINANCED FROM ORDINARY AND INTER-REGIONAL CAPITAL AFTER JULY 1, 1976, WOULD BE 8.6 PERCENT DERIVED AS FOLLOWS: WEIGHTED BORROWING COSTS DURING TWELVE MONTHS' PERIOD ENDING JUNE 30, 1976, OF 8.12 PERCENT, PLUS A "SPREAD" OF .48 PERCENT TO COVER ADMINISTRATIVE AND LIQUIDITY COSTS. LENDING RATE WILL BE ADJUSTED AUTOMATICALLY EACH JULY 1. IF, AT END OF EACH DECEMBER, BORROWING COSTS INCREASE OR DECREASE BY AT LEAST .15 PERCENT OVER COSTS DETERMINED EACH JUNE 30, BANK MANAGEMENT WILL ADJUST LENDING RATE. IN ADDITION TO JANUARY 1 AND JULY 1 ADJUSTMENTS; MANAGEMENT WILL MONITOR INTEREST RATES IN CAPITAL MARKETS AND PROPOSE ADJUSTMENTS IN LENDING RATE AT ANY TIME CHANGES IN MARKET TRENDS ARE PERSISTENT AND SUBSTANTIAL.

5. FOR LEGAL AND ACCOUNTING REASONS, EXISTING ORDINARY

APITAL ACCOUNT AND NEW INTER-REGIONAL CAPITAL ACCOUNT MUST BE MAINTAINED SEPARATELY UNTIL MID-1980'S. THEREFORE, EACH CAPITAL LOAN WILL BE FINANCED FROM BOTH OC AND IRC SOURCES. RESPECTIVE SHARES PROVIDED BY OC AND IRC WOULD DEPEND UPON AVAILABILITY OF EACH SOURCE OF CAPITAL.

INITIALLY, MANAGEMENT WILL STRUCTURE LOANS SO THAT 60 LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 238262

PERCENT OF FUNDS COMES FROM IRC AND 40 PERCENT FROM OC. OVER TIME, PROPORTION OF OC WILL DECLINE AND IN MID-1980'S OC AND IRC ACCOUNTS WILL BE MERGED.

6. LENDING RATE FORMULA AND PROCEDURES FOR ESTABLISHING RATE WILL BE REVIEWED PERIODICALLY AS EXPERIENCE IS GAINED. SUCH REVIEWS WOULD INCLUDE TECHNICAL BASIS FOR CALCULATING WEIGHTED BORROWING COSTS, "SPREAD" FOR ADMINISTRATIVE AND OTHER COSTS, AS WELL AS FREQUENCY OF ADJUSTMENT. KISSINGER

LIMITED OFFICIAL USE

NNN

UNCLASSIFIED POSS DUPE

PAGE 01 JERUSA 01298 281222Z

21

ACTION NEA-10

INFO OCT-01 ISO-00 SCCT-01 USSS-00 AID-05 DODE-00 CIAE-00

INR-07 NSAE-00 SY-05 /029 W

----- 029045

R 281011Z SEP 76

FM AMCONSUL JERUSALEM

TO SECSTATE WASHDC 8343

INFO AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY TEL AVIV

UNCLAS JERUSALEM 1298

E.O. 11652: N/A

TAGS: PINS, IS, JO

SUBJ: IDF MAKES SECURITY ARRESTS

ISRAELI MILITARY SPOKESMAN ANNOUNCED SEPT. 27 AND 17 PERSONS
WERE ARRESTED ON THE WEST BANK RECENTLY FOR TERRORIST
ACTIVITIES. THE ARRESTED COMPRISED THREE CELLS: TWO
IN THE RAMALLAH AREA CONNECTED WITH FATAH AND A THIRD IN
THE NABLUS AREA CONNECTED WITH THE PDFLP. A QUANTITY OF
SABOTAGE MATERIAL WAS REPORTEDLY FOUND. NEWLIN

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN ASSISTANCE, DEVELOPMENT LOANS, BANK LOANS, INTEREST RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE238262
Document Source: CORE
Document Unique ID: 00
Drafter: OASIA:ADRESS:ACY
Enclosure: n/a
Executive Order: N/A
Errors: I
Film Number: D760363-0969
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760920/aaaaaqtb.tel
Line Count: 202
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 05 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 APR 2004 by BoyleJA>; APPROVED <27 JUL 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: INTER-AMERICAN DEVELOPMENT BANK ADOPTS NEW LENDING RATE SYSTEM FOR CAPITAL LOANS
TAGS: EAID, EFIN, IDB
To: ALL POSTS BONN LONDON MULTIPLE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006